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Docket 2001-8677

Memorandum

U.S. Department of Transportation
National Highway Traffic Safety Administration

NHTSA 2001-8677-64

Subject: ACTION: Docket Submission PRE for Early Warning System

Date: DEC 14 2001

From: William H. Walsh
Associate Administrator
for Plans and Policy

Reply to Attn. of:

To: Docket

OK
3TV

Thru: John Womack
Acting Chief Counsel

Please submit the Preliminary Regulatory Evaluation of the TREAD Act Early Warning Reporting System, Part 579, to the appropriate docket.

Attachment

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U.S. Department
Of Transportation

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PRELIMINARY REGULATORY EVALUATION

TREAD ACT
EARLY WARNING REPORTING SYSTEM
PART 579

Office of Regulatory Analysis and Evaluation
Plans and Policy
December 2001

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Executive Summary

In October 2000, H.R. 5164 the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act was passed by the Congress, and enacted on November 1, 2000 (Pub. L. 106-414). It amends, among other things, 49 U.S.C. 30166 to add a new subsection (m), **Early warning reporting requirements.** The TREAD Act directs NHTSA to issue a final rule by June 30, 2002, requiring motor vehicle and motor vehicle equipment manufacturers to report claims data and other information that may assist in identifying defects related to motor vehicle safety in vehicles or equipment in the United States. These manufacturers must also report to us all incidents, of which they receive notice, involving fatalities or serious injuries which are alleged or proven to have been caused by a possible defect in their products when the possible defective vehicle or equipment is identical or substantially similar to a vehicle or equipment offered for sale in the United States. The agency published an advance notice of proposed rulemaking on the early warning reporting requirements on January 22, 2001 (66 FR 6532).

Benefits

The benefit of receiving the early warning data is that investigations will be opened sooner. The direct impact of opening investigations sooner is that recalls will be initiated earlier, defective equipment will be taken off the roads sooner, and fewer injuries, fatalities, and property damage will occur. On average, it takes 36 to 45 months from the time the first consumer complains to a dealer of a problem and there is a recall. With the early warning data, the agency estimates that the average investigation will be opened 12 months sooner, shortening the time of the entire process by 12 months of more. We expect that the increase in new information will result in an

increase in investigations and recalls, both by the manufacturer voluntarily, and by NHTSA. The agency cannot quantify the benefits in terms of reduced fatalities, injuries, or property damage.

Costs

We estimate the first year start-up costs for the light vehicle industry will be $1.6 million, and recurring annual costs will be over $1 million. First year start-up costs for the medium and heavy truck industry, bus industry, trailer industry, and child restraint industry will be significantly higher since they include many more manufacturers and they are not as computerized as the light vehicle industry. First-year start-up costs for the motorcycle and tire industries are slightly lower than costs for the light vehicle industry.

The total start-up cost for all affected industries is estimated to be about $14 million, while recurring annual costs will be about $5 million.

Alternatives

We have chosen alternatives which reduce the burden on manufacturers of vehicles and equipment after considering and deciding against a number of requirements and selecting alternatives in reporting. First, we considered requiring reporting of foreign injury and property damage information. We believe the costs involved would be excessive, up to 10 times the cost of supplying similar information from the United States.

Second, we considered requiring information for all systems and components of the vehicles. We decided to propose reporting on specific components and systems tailored generally to the

type of vehicle and to tires and child restraints. We believe that the reduced number of components will reduce reporting costs significantly.

In addition, we are considering requiring information from vehicles manufacturers, starting with January 1, 2000, for 10 prior model years, to obtain a baseline trend of information. We had considered a longer timeline for baseline data, which would have cost significantly more.

Finally, we considered whether to require a hard copy of all reports by fleets, manufacturers and dealers, and original equipment manufacturers. We decided not to require copies of reports from dealers and original equipment manufacturers. This reduced the burden significantly.

I. INTRODUCTION

Congress enacted the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act in October 2000 (H.R. 5164). It was signed by the President on November 1, 2000 (Pub. L. 106-414). The TREAD Act seeks to ensure that the National Highway Traffic Safety Administration (NHTSA) receives appropriate data in a timely fashion, including company data on claims and notices related to deaths and injuries. It does so in part by amending 49 U.S.C. 30166 to add a new subsection (m), Early warning reporting requirements. Subsection (m) requires NHTSA to initiate a rulemaking proceeding not later than 120 days after enactment of the TREAD Act to establish early warning reporting requirements for manufacturers of motor vehicles and motor vehicle equipment. NHTSA is required to issue a final rule not later than June 30, 2002.

Sections 30166(m)(3), (4), and (5) authorize and require the reporting elements of early warning, the handling and utilization of reporting elements, and periodic review and update of the final rule. The Secretary has delegated to the Administrator, NHTSA, the authority to carry out 49 U.S.C. Chapter 301, which the TREAD Act amended (49 CFR 501.2(a)(1)). The TREAD Act provides for manufacturers of motor vehicles and motor vehicle equipment to submit information that concerns claims for deaths and injuries, property damage, communications to customers, incidents resulting in fatalities or serious injuries from possible defects in vehicles or equipment in the United States, or in identical or substantially similar vehicles or equipment in a foreign country, and other information that would assist NHTSA in identifying potential safety-related defects.

On January 22, 2001, we published an Advance Notice of Proposed Rulemaking (ANPRM) to initiate rulemaking, and to request comments on ways that we may implement the "early warning reporting requirements" of the TREAD Act, and how to best use this information and data to fulfill the statutory goal (66 FR 6532). The comment period closed on March 23, 2001 (Docket Number NHTSA-2001-8677).

The ANPRM was divided into sections that sought comments on ways that we may implement the early earning reporting requirements. Following is a description of the issues raised and proposed requirements.

A. Definitions of Who is Covered. The TREAD Act requires information to be submitted by manufacturers of motor vehicles and motor vehicle equipment. In the ANPRM, we identified the following categories of manufacturers of vehicles and equipment, and requested comments on the proposed definitions:

1) Motor vehicle manufacturers –
    a) Domestic vehicle manufacturers are manufacturers who produce motor vehicles in the United States, including corporations that are subsidiaries of, or otherwise controlled by, manufacturers incorporated in a country outside the United States.
    b) Foreign vehicle manufacturers are manufacturers who produce motor vehicles outside the United States, which are shipped to and sold in the United States.
    c) A foreign motor vehicle manufacturer may have a subsidiary in the United States.

d) Multinational motor vehicle manufacturers are manufacturers that produce vehicles in one or more foreign countries and the United States. Some have acquired other motor vehicle manufacturers who continue to produce vehicles under their original nameplates. Some are headquartered in the United States; others are headquartered in a foreign country.

2) Registered importers – Registered importers (RI) import motor vehicles that were not originally manufactured as conforming with the Federal motor vehicle safety standards (FMVSS) (gray market vehicles). The RI's bring the gray market vehicles into conformity, certify their conformity, and sell them. RI's are not factory-authorized distributors and dealers, and may not receive and possess information meaningful under the early warning reporting requirements. We requested comments in the ANPRM on whether RIs should be included in the early warning reporting requirements.

3) Miscellaneous motor vehicle manufacturers – Miscellaneous motor vehicle equipment manufacturers includes manufacturers of incomplete vehicles as defined by 49 CFR part 568, Vehicles Manufactured in Two or more Stages, who have contingent defect reporting responsibilities under 49 CFR 573.3(c).

4) Motor vehicle equipment manufacturers – There is a wide range of equipment manufacturers producing original equipment, replacement/accessory equipment and off-vehicle equipment, in addition to importers of motor vehicle equipment. We laid out a variety of alternative approaches that we may adopt with respect to reporting related to motor vehicle equipment. The possible approaches are listed below.

a) Reporting initially limited to specific equipment items. Given the vast number of motor vehicle parts, the questions at present of the types and quantity of data that

are pertinent to the early warning reporting requirements, and the data storage and processing systems that may be required within NHTSA, we requested comments on whether it may be more effective to adopt an incremental approach, and initially to require reports from manufacturers of only a relatively small number of original or replacement equipment items. We questioned whether we initially should limit our reporting requirements to a subset of manufacturers of original or replacement equipment items, based on safety–related defects reported in the past five years. We would include tentatively tires, child restraint systems, fuel tanks, air bags and components, brakes, and seat belt assemblies and components.

b) Reporting of equipment items directly covered by the FMVSS. These requirements could include or be extended to require all manufacturers of original or replacement equipment that is directly covered by a Federal motor vehicle safety standard to report on the same basis as vehicle manufacturers as defined by 49 U.S.C. Section 30102(a)(5)(A).

c) Subsequent extension of reporting requirements to all manufacturers of components that a vehicle manufacturer uses in complying with Federal crash-avoidance and some crash-protection and post-crash standards. This tier of equipment manufacturers that might be required to report on the same basis as vehicle manufacturers could be manufacturers of original or replacement equipment which are parts of systems covered by the FMVSS "100" series, i.e., the "crash-avoidance" standards.

d) Exclusions, which might include manufacturers of accessory equipment or articles of apparel (other than motorcycle helmets and jack stands) to report to us unless

there is a death or serious injury allegedly involving a defect in their products. However, we noted that there may be accessories such as tire inflation pressure gauges or battery cables which, if not properly manufactured, could present a safety defect issue, and whose manufacturers should report. We requested comments on exclusions to the reporting requirements.

B. What Information is Covered. Section 30166(m) of the TREAD Act authorizes regulations that will require manufacturers to report to NHTSA information and data derived from foreign and domestic sources that relate to possible safety-related defects. We believe that these regulations will take the form of amendments to 49 CFR part 573, Defect and Noncompliance Reports. We believe that the following information and data are relevant to this purpose. We requested comments on the extent of relevant information and data covered below, what should be required to be reported, and in what form this information and data should be submitted to the agency. We also requested comments on possible meanings of terms in Section 30166(m) that have not been defined by Section 30102, including "claim," "property damage," "aggregate statistical data," "serious injury," and "substantially similar."

1) *warranty claim data*; "Warranty data" appears in the heading of 30166(m)(3)(A) as one type of "reporting element." Although it does not explicitly appear in the text of subparagraphs (i) and (ii) of that paragraph, we believe that warranty information is included within its ambit. We believe that warranty information would be included within the scope of "other data" whose reporting we can require under Section 30166(m)(3)(B).

2) *claims and incidents involving serious injury or death*; Section 30166(m)(3)(A)(i) requires manufacturers to provide information concerning data on claims submitted to a manufacturer for serious injury or death, to the extent that such information may assist in the identification of safety-related defects. Section 30166(m)(3)(C) also requires a manufacturer to report incidents of which it receives actual notice which involve deaths or serious injuries which are alleged or proven to have been caused by a defect, regardless of whether there is a "claim."

3) *property damage claims*; Section 30166(m)(3)(A)(i) requires manufacturers to provide us with "aggregate statistical data on property damage."

4) *field reports*; Manufacturers receive "field reports" from employees, dealers and fleets indicating the possible existence of problems. In the ANPRM, we considered requiring "field reports" under the "other data" provisions of Section 30166(m)(3)(B).

5) *consumer complaints*; Manufacturers often receive complaints from consumers. Consumer complaints may be related to safety and may help in early detection of a possible safety-related defect. In the ANPRM, we considered how consumer complaints may be evaluated and identified as safety-related, and how and whether such complaints should be considered and submitted to us under "other data" provisions of Section 30166(m)(3)(B).

6) *information on customer satisfaction campaigns, consumer advisories, recalls, or other activity involving the repair or replacement of motor vehicles or items of motor vehicle equipment*; Section 30166(m)(3)(A)(ii) requires manufacturers to provide information which concerns "customer satisfaction campaigns, consumer advisories, recalls, or other activity involving the repair or replacement of motor vehicles or items of motor vehicle

equipment." This requirement applies regardless of whether a manufacturer has decided that a defect exists, whether or not the conditions or circumstances in question relate to motor vehicle safety.

7) *internal investigations*; In the ANPRM, we requested comments on whether to require manufacturers to provide us with information regarding internal investigations of potential defects in their vehicles or equipment. We are considering requiring this under Section 30166(m)(3)(B).

8) *changes to components and service parts*; In the ANPRM, we requested comments on requiring manufacturers to submit information regarding design and service parts changes (either as a running change or as a change to a service part).

9) *remedy failures*; We requested comments on whether to require manufacturers to provide us with information concerning instances in which a vehicle or child seat has had to be remedied more than once in the course of a safety recall campaign.

10) *fuel leaks, fires, and rollovers*; We requested comments on requiring manufacturers to provide information on fuel leaks, fires, and rollovers, separate from other information.

C. Vehicles and Equipment Covered: Substantially Similar Vehicles and Equipment in Foreign Countries. Section 30166(m)(3)(C) of the TREAD Act requires that manufacturers must report incidents involving fatalities or serious injuries that are alleged or proven to be caused by a product defect "in a foreign country when the possible defect is in a motor vehicle or motor vehicle equipment that is identical or substantially similar to a motor vehicle or motor vehicle equipment offered for sale in the United States." This is in addition to the duty to report claims and other information covered by Section 30166(m)(3)(A) that are "derived from foreign

and domestic sources." We suggested that the word "identical" to mean "the same as." In the ANPRM, we requested comments on the interpretation of the terms "identical" and "substantially similar" when applied to a motor vehicle or motor vehicle equipment.

D. Cut-off Dates. A manufacturer is required to notify NHTSA, owners, and dealers, if it or the agency determines that a vehicle contains a safety-related defect; however, it need not provide a remedy without charge if the determination is made more than 10 years after its first sale. See 49 U.S.C. 30120(g), as amended by Section 4 of the TREAD Act. There may be types of information otherwise covered by this rule that, due to the passage of time or other occurrence, need not be provided for safety purposes. The ANPRM requested that if any commenter believes that there should be exclusions based on time, the commenter should provide a detailed rationale for such as belief.

E. When Should Information Be Reported. Section 30166(m)(3)(A) and (B) state that the information covered by those paragraphs shall be reported "periodically or upon request" by NHTSA. Section 30166(m)(3)(C) states that the information covered by that paragraph shall be reported "in such manner as [NHTSA] establishes by regulation." We requested comments on whether the periodic frequency of reporting, e.g., upon receipt of information, monthly, quarterly; should vary depending on the type of information or data, e.g., type of vehicle or equipment, accumulation of claims or warranty data, aggregate statistical data, type of information, or type of component or system involved, etc.

F. How Should Information Be Reported. We sought comments on how the information should be reported to us (e.g., hard copy, electronically, coded, collated and aggregated by vehicle make, model, model year, component system, as supplemental information, etc.).

G. How NHTSA Might Handle and Utilize Early Warning Information Reported To It. Section 30166(m)(4)(A)(i) and (ii) require that our early warning rule specify how the information reported to us will be reviewed and used by us in identifying defects related to motor vehicle safety; and the systems and processes we will employ or establish to review and utilize this information. We requested comments on ways to improve our collection, review, and analysis of information and data submitted to us.

H. Costs and Burdens. Section 30166(m)(4)(D) requires that the final rule shall not impose requirements unduly burdensome to a manufacturer of a motor vehicle or motor vehicle equipment, taking into account the manufacturer's cost of complying with such requirements and [NHTSA's] ability to use the information sought in a meaningful manner to assist in the identification of defects related to motor vehicle safety. The ANPRM stated that, while we have not proposed specific requirements, we would appreciate comments providing us with cost and burden estimates to the extent possible. The ANPRM requested comments on:

1) The estimated startup and ongoing costs (including financial as well as manpower costs) of complying with the early warning reporting requirements discussed in the ANPRM.

2) How should NHTSA decide whether particular requirements are "unduly" burdensome? Should we balance the burdens against the anticipated benefits of receiving the information in question? If, so, how should we perform that balancing?

3) What is the most effective early warning information and least burdensome ways of providing it?

4) Have manufacturers developed or are manufacturers beginning to develop and implement their own early warning reporting procedures in advance of NHTSA's rulemaking? If so, what are these procedures and how do these procedures differ from those discussed in the ANPRM? How are they similar?

II. BACKGROUND

On August 9, 2000, Bridgestone/Firestone, Inc. (Firestone) announced that it would recall certain ATX, ATXII, and Wilderness AT tires that contained a defect related to sudden tread separation. On August 16, Firestone filed a formal defect report with NHTSA pursuant to 49 CFR part 573. The recall covered P235/75R15 size tires including all ATX and ATX II tires of that size, and all Wilderness AT tires of that size produced at Firestone' Decatur, Illinois, manufacturing plant. At the time, Firestone estimated that approximately 6.5 million of the 14.4 million tires covered by the recall were still in use throughout the world.

Between March 1990 and February 2000, NHTSA's consumer complaint database received approximately 46 complaints about Firestone ATX and Wilderness tires. Beginning in February 2000, we began to receive additional complaints on these tires. On May 2, 2000, NHTSA's Office of Defects Investigation (ODI) opened a defect investigation (Investigation No. PE00-020), after having received 44 additional reports since February 2000. Most of these complaints covered tires installed on Ford Explorer vehicles. None of the complaints covered tires in use outside the United States. The investigation covered over 47 million ATX and Wilderness tires, of various sizes, made in several plants.

Firestone recorded 348 personal injury claims, 78 deaths, 3,538 property damage claims, and was a defendant in 66 lawsuits related to the tires covered. It also received a number of requests for financial adjustments from consumers who were unhappy with their tires. We were not aware of these data until after we opened our investigation because Firestone was not required to

provide this information to us in the absence of a specific request, and did not voluntarily provide it.

Ford Motor Company (Ford) had previously taken several actions overseas to address safety problems related to Wilderness tires on Ford Explorer vehicles. In none of the instances did Ford or Firestone notify NHTSA of these actions. Although 49 U.S.C. 30166(f) as implemented by 49 CFR 573.8 would have required Ford to notify us of these actions if they had occurred in the United States, the statute and regulation did not require manufacturers to provide NHTSA with documents of communications about defects and noncompliance with respect to actions outside the United States.

Title 49, United States Code, Chapter 301-Motor Vehicle Safety, is the basic motor vehicle safety statute administered by NHTSA (the "Vehicle Safety Act"). Under 49 U.S.C. 30118(c)(1), a manufacturer of a motor vehicle or replacement equipment must notify NHTSA if the manufacturer "learns the vehicle or equipment contains a defect and decides in good faith that the defect relates to motor vehicle safety."

Prior to the TREAD Act, a manufacturer's automatic (i.e., not in response to NHTSA's information requests under which information is required as part of an investigation) reporting obligations under Section 30166 were established by 49 U.S.C. 30166(f), providing copies of communications about defects and noncompliance, as implemented by 49 CFR 573.8, Notices, bulletins, and other communications. However, the statute and regulations did not require

manufacturers to provide these documents with respect to actions occurring outside the United States.

In October 2000, H.R. 5164, the "Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act" was passed by the Congress. The TREAD Act was signed by the President on November 1, 2000, Pub. L. 106-414.

In H.R. Rep. 106-954, accompanying H.R. 5164, the TREAD Act, Congress noted that NHTSA did not have adequate, timely data about Firestone ATX and Wilderness tires. The TREAD Act seeks to ensure that NHTSA receives appropriate data from manufacturers of motor vehicles and motor vehicle equipment in a timely fashion, including that related to foreign recall actions and internal company data on claims and lawsuits related to defects. It does so by amending 49 U.S.C. 30166 to add a new subsection (m), Early warning reporting requirements.

III. ISSUES

An Advance Notice of Proposed Rulemaking (ANPRM) was published in the Federal Register on January 22, 2001 (66 FR 6532) requesting comments on ways that the NHTSA may implement the "early warning reporting requirements" of the TREAD Act. In response to the ANPRM, we received comments from a variety of sources.

Motor vehicle manufacturers and associated trade organizations who commented were Ford Motor Company (Ford), Volvo Trucks North America (Volvo), Truck Manufacturers Association (TMA), Blue Bird Body Co., International Truck and Engine Corporation (International Truck), Mack Trucks, Inc. (Mack), DaimlerChrysler Corporation (DaimlerChrysler), Association of International Automobile Manufacturers, Inc. (AIAM), Recreational Vehicle Industry Association (RVIA), Harley-Davidson Motor Company, Nissan North America, Inc. (Nissan), Volkswagen of America, Inc. (for itself, Volkswagen, AG and Audi AG), Truck Trailer Manufacturers Association (TTMA), American Honda Motor Company (Honda), Motorcycle Industry Council (MIC), National Automobile Dealers Association (NADA), Fontaine Modification Company, and Alliance of Automobile Manufacturers (AAM).

The tire industry was represented by Rubber Manufacturers Association (RMA) and Bridgestone Corporation. Other motor vehicle equipment manufacturers and associated trade organizations who commented were Automotive Occupants Restraint Council (AORC or the Council), TRW, Inc., Atwood Mobile Products, Battery Council International, ArvinMeritor, Peterson

Manufacturing Company, Motor and Equipment Manufacturers Association (MEMA) and Original Equipment Suppliers Association (OESA, supported by Eagle-Picher Industries, Breed Technologies, Dana Corporation, Pilkington North America, Inc. (PNA), Transportation Safety Equipment Institute (TSEI), Automotive Aftermarket Industry Association (AAIA), Johnson Controls, the Torrington Company, Specialty Equipment Manufacturers Association (SEMA), National Truck Equipment Association (NTEA), Delphi Automotive Systems, LLC (Delphi), Webb Wheel Products, Inc., Hella North America, Inc., Osram Sylvania, Shepherd Hardware Products, LLC, Valeo, Inc., Am-Safe Commercial Products, Inc., and Harbour Industries. We also received comments from Consumer Union and Advocates for Highway and Auto Safety (Advocates).

Following is a summary of comments on costs and burdens.

TRW Automotive, a supplier of a wide variety of motor vehicle equipment to motor vehicle manufacturers on a global basis, stated that if a wide variety of the contemplated reporting requirements were imposed on TRW, this would result in significant increases in required manpower and potential additional costs of several million dollars per year. TRW stated that the early warning reporting system as proposed, would be unduly burdensome on manufacturers and NHTSA. TRW stated that the most effective early warning information could come from uniformly reported accident/incident reports. These reports could be centrally collected and analyzed by NHTSA and appropriate early warning inquiries made by NHTSA to the affected OEMs and to the affected manufacturers of equipment. The least burdensome way is to provide

this information with direct, electronic reporting by police and similar authorities from the initial investigation to NHTSA and then electronically to OEMs and manufacturers of equipment.

Truck Manufacturers Association, whose members include all of the major North American manufacturers of medium and heavy-duty trucks, stated that weight of the reporting burdens on their members and burdens on NHTSA to collect, review, and analyze industry data, will overwhelm all concerned.

Arvin Meritor, a major global manufacturer of drive and non-driving axle assemblies, brakes, and drivelines, stated that the various data collection proposals impose a burden to manufacturers and any data beyond that which is directly indicative of a safety issue approaches the point of being unreasonable. Arvin Meritor commented that its product performance information is received in many forms in electronic format and hard copy format. Any requirement to include incident data from foreign sources represents an incremental expense to Arvin Meritor.

Peterson Manufacturing Company, a small business which manufactures visual safety products (lighting, mirrors), stated that the responsibility of reporting will be delegated downward through the supply chain to the suppliers of individual components for the vehicles, and in this delegation process, small businesses like Peterson will be impacted. Peterson estimated that as a minimum, TREAD would require an analyst in returns, warranties and claims area and another in standards and regulations area. The addition of two staff members represents an increase of about two percent and $200,000 to $300,000 by the time equipment, development cost and support are

completed. Peterson stated that typically, these programs grow in cost and complexity over the years, significantly affecting the component manufacturers.

The Rubber Manufacturers Association (RMA) is the primary trade association representing the interests of the tire and rubber industry in the United States. Its membership includes all of the country's major tire manufacturers. The RMA proposed the following electronically reporting early warning reporting system: 1) data on claims submitted to the manufacturer involving fatalities and serious injuries; 2) information about lawsuits seeking damages involving fatalities, serious injuries, or property damage from alleged tire defects; 3) aggregate statistical data involving claims for property damage from alleged tire disablements paid by the tire manufacturer; and 4) aggregate data involving warranty adjustments. The RMA proposed that claims involving fatalities and serious injuries would be defined as a written demand. The RMA recommended the use of the definition "serious bodily injury" contained in 18 U.S.S. 1365(g)(3) instead of the Abbreviated Injury Scale ("AIS") to characterize an injury's severity. Requiring reporting of foreign data on property damage and warranty data would be burdensome to the industry, and would not provide reliable information, according to RMA. These reporting requirements should include only U.S. data. The RMA stated that requiring field reports would be redundant, and reporting voluminous number of design changes would tax both the industry and NHTSA without adding any significant early warning benefit. The RMA submitted the following additional comments on public policy issues: 1) the existence of a safety defect can be assessed only after a careful examination of all appropriate information; 2) claims information should not be reported until the tire manufacturer has verified (a) that it was, in fact, the manufacturer of the tire; and (b) the identity of the tire, including size, type and serial number; 3)

the early warning reporting system should initially focus on passenger and light truck tires; and 4) the estimated impact on the entire automotive industry will be in excess of $100 million. (We note that the RMA did not provide a detailed basis for the estimated impact to the automotive industry.)

Blue Bird Body Company, a manufacturer of buses, school buses, and motor homes, stated that standardization of warranty codes would be a massive undertaking, with very harmful effects on its company. Blue Bird stated that it would have to significantly upgrade its report intake and record keeping processes for purposes of intake recordation consistency and data retrieval.

International Truck and Engine Corporation commented that standardization would be difficult and extremely costly because the current warranty systems have been established to meet the business purposes of the manufacturer. International stated that it is difficult at this stage to anticipate financial and manpower costs of implementing the early warning requirements. International stated that, if the agency were to require full reporting of all the categories mentioned in the ANPRM, the cost in terms of dollars and manpower would be huge. If, however, the agency determines that the current reporting system has been effective and needs only minimal additional reporting in the same format in which they are received, then the burden would be far less. International stated that the agency maintain a dialogue with the industry as it formulates the rule so that the early warning system does not negatively impact the industry in its efforts to design and build safe vehicles, and so that the integrity of the reporting process is not compromised by losing critical information in the overwhelming supply of data. Suppliers

should be required to report to the manufacturers affected at the same time they report to NHTSA.

Mack Trucks, Inc. stated that the start-up and on-going costs of compliance with early warning reporting requirements are undetermined. Mack commented that the least burdensome information, and the most effective, concerns deaths and serious injuries.

The Recreational Vehicle Industry Association (RVIA) stated that if the early warning requirements are implemented as outlined in the ANPRM, RV manufacturers will have to hire additional staff, purchase new computer hardware and software and train employees solely to deal with this rule. In addition, the reporting requirements would lead to double and triple reporting because of the multiple manufacturers and suppliers involved in the RV industry. RVIA stated that these expenses cannot be distributed over millions of vehicles, as in the automotive industry, and the RV manufacturers produce only several hundred vehicles a year. In addition, standardization of warranty codes would be a significant burden on the RV industry, since manufacturers that have invested in a warranty program would not have to incur significant reprogramming costs and retrain their employees. Most RV manufacturers, because of their small size do not have a computerized warranty system. RVIA stated that, at best, many of the requirements suggested in the ANPRM are extremely costly and unduly burdensome for the RV industry, and at worst, the requirements could lead to some manufacturers failing because of the difficulties that must be overcome in order for a small business that produces a low volume of vehicles to comply.

The Association of International Automobile Manufacturers, Inc. (AIAM) stated that overly broad reporting requirements could result in wasted resources spent compiling and analyzing large amounts of marginally useful documentation. Regarding data required from international sources, AIAM believes that differences in record management systems, language differences necessitating translation, and related factors would dramatically increase the burden associated with reporting foreign information. AIAM reported that one of its members receives more than 10,000 warranty claims per day, suggesting that industry-wide claims run into the millions per year. In addition, it is not possible to determine whether a warranty claim may implicate a safety related defect. Standardizing a warranty claim would be enormously costly, according to AIAM, and would lead to a system that does not meet all the particularized needs of each manufacturer. Warranty codes were developed primarily as an accounting system, not intended for defect identification. A change in warranty codes would involve substantial retaining and reprogramming costs for each manufacturer and dealer, according to AIAM. Requiring reporting of consumer complaints would place a significant burden on the manufacturer, since most do not affect safety, and would require extensive screening to identify any useful information.

Dana Corporation, supplier to motor vehicle manufacturers and aftermarket, commented that until there is more certainty regarding the new reporting obligations, it is nearly impossible to predict the extent to which it would need to commit additional resources and staff in order to comply. Presently, Dana does not have the staff nor the infrastructure to centrally collect, review, and submit many of the items in the ANPRM. Dana stated that standardization of warranty coding would incur significant costs, both in terms of time and money.

Harley Davidson (HD) commented that forcing a warranty code standard would be problematic. Further, tracking design changes would be costly and burdensome, and would result in information overload. Harley Davidson stated that without more information regarding the final form of the regulation, they cannot be specific about the costs. Information requests from NHTSA regarding possible defects represent substantive costs, and have been once every year or so. Harley Davidson reported that in responding to the most recent request incurred several hundred hours of professional and administrative staff time and the generation of hundreds of pages of information. HD stated that a start up functional reporting unit would require infrastructure, personnel, training, programming and other costs related to doing business differently than ever before. These costs are estimated to be in excess of several million dollars. They stated that the burdens of such funding would not end there since these funds for the new rulemaking would have to be diverted from ongoing projects originally intended to add value to the business. In addition, deferral or cancellation of these projects will add substantial costs or result in lost opportunities.

Nissan North America, Inc. stated that with respect to burden and cost to manufacturers, they cannot quantify the costs of reporting at this time until more specific proposals are outlined in the NPRM. Nissan stated that they have serious concerns that they will be unable to deal with the early warning requirements without significant and costly changes to existing systems. In general, information from the U.S. market will be easier and less costly to provide than information from other markets. Information that can be downloaded from current systems will be much easier and less costly than information that is currently not well coded or computerized.

Specific information from global markets, such as campaigns, will be easier and less costly than general information such as warranty data.

Depending on the scope of the final rule, there will be burden and cost associated with setting up new systems, or modifying existing new ones, and on-going burden and cost associated with processing and providing information automatically within the timeframes established. Limited to U.S. data, existing systems may be used without major modification or cost; however, expansion of reporting to multiple and complex parameters, and further expansion to systems outside of the U.S. will likely result in the need to make major systems changes that could cost in the millions, or even tens of millions of dollars. These changes could be in programming or software, but if the reporting is overly complex, hardware changes could be required also. New systems might also be required to deal with data that typically is not in easily retrievable electronic format. Nissan stated that there would be burdens and costs associated with required reporting information such as design changes, consumer complaints, language translation, warranty data, field reports, campaigns, technical bulletins, and other requirements.

The Motorcycle Industry Council (MIC), a trade association representing the manufacturers and distributors of motorcycles and parts and accessories, stated that the reporting requirements would be a tremendous undertaking for the industry. The requirements would necessitate a large commitment to new information technology resources, computer hardware capability and software design, and additional personnel.

The Truck Trailer Manufacturers Association (TTMA), the international trade association of truck trailer and tank trailer manufacturers, commented that costs cannot be accurately be determined at this time due to lack of fully defined requirements by the agency. TTMA stated that an unlimited reporting regime would be catastrophic to the industry, especially smaller manufacturers, costing up to one million dollars per manufacturer annually. TTMC stated that the cost of compliance for an unlimited reporting regime would be greater than the net profit of many smaller manufacturers, and would overwhelm the agency with unnecessary information unrelated to highway safety.

Volkswagen of America, Inc. stated that the burdensome requirements as proscribed by the TREAD Act does not only mean the raw volume of paper, chips of data, personnel staffing, translation, and expense burdens involved, but also the real-world economic impact, consequences, and costs of unfettered release of valuable confidential and proprietary information into the docket which can be used and misused by others.

The Transportation Safety Equipment Institute (TSEI), a trade association representing North American manufacturers of vehicle safety equipment, stated that if their industry segment were required to submit reports, the costs to the industry would be substantial. They reported that one TSEI member advised TSEI that two additional staff would be required, one in the warranty analysis area, and an assistant to the Standards and Regulatory Affairs Manager, at a personnel cost, alone, of approximately $100,000 annually. An additional $50,000 to $100,000 annually would be spent on continuing system development and administration costs. The total cost

incurred by adding two staff would be approximately $250,000, which is significant to the company.

The Automotive Aftermarket Industry Association (AAIA) commented that is difficult to estimate the actual time or cost of complying with the reporting requirements. If many of the proposed requirements and implemented, the cost for large manufacturers with many equipment line will be enormous. For smaller manufacturers, the cost will be excessive in percentage terms.

The Torrington Company stated that the reporting requirements, as interpreted by NHTSA place an unmanageable and deleterious weight of the reporting burdens on The Torrington Company in specific, and the vehicle equipment industry in general.

The National Truck Equipment Association (NTEA) stated that it is difficult to estimate the costs associated with this rule, as they will depend on the scope of the reporting thresholds and final rule. NTEA reported that over a thousand companies involved in the multi-stage production of work-related trucks, truck bodies and equipment could be faced with hiring a new employee simply to comply with these reporting requirements. If reporting is required only when reportable incidents occur, and is limited to specific vehicle component groups, most companies will probably not need to hire new staff, but will have to reallocate existing staff resources and create a new record keeping system.

Honda Motor Co., Ltd. stated that the proposed rulemaking would have a significant effect on its operations by imposing extraordinary costs with proportionately little safety benefit. Honda

stated that the mechanics of collecting, translating, organizing, evaluating and submitting data from worldwide operations would be extremely time-consuming and resource intensive. Honda stated that the overly broad data collection and submission requirements would shift some of the burden of defect identification, analysis and decision making from industry to the government. The requirements would require tying up many resources to collect great amounts of information, and the workload to sort, calculate, and analyze all of the information would be enormous. Honda stated that the costs involved in this proposed process will be added to vehicles' price, thereby passing this financial burden to the consumers.

Alliance of Automobile Manufacturers (Alliance) stated that they are not able at this time to quantify or even estimate start-up costs. However, there is no doubt that these will be substantial. The costs will be determined by the extent of the final reporting obligation defined in the final rule. Alliance stated that new operating processes will need to be developed and computer programs developed to flag, store, and "mine" the information and data required to be submitted. Additional staffing will be required to coordinate data inputs, oversee the preparation of the required reports, and to coordinate related activities worldwide. The eleven different categories of information and data in the ANPRM that NHTSA believes are relevant and required to this purpose, will likely be drawn from a substantial number of data sources within the responding companies. The requirements will require a significant commitment of resources on the part of the manufacturers that are subject to the new rules.

Delphi Automotive Systems, the largest automotive equipment supplier in the world, requests NHTSA to limit reporting to manufacturers. Delphi estimates that the startup costs for training

and implementing these requirements will approach $1 million, which includes one man-year of data systems preparation for each Division and aftermarket as well as an in-house training. Ongoing costs could well approach a minimum of $350,000 annually, most of which would be used for clerical support for collecting and reporting the required information. Delphi stated that the proposed requirements could adversely impact companies that do business mainly in the United States if triggers for implementing investigations are based on absolute numbers rather than incidents per units sold in the United States, the burden of responding to inquiries would be highly disproportionate on manufacturers selling to the domestic industry which has the higher volume of units. Delphi stated that there are over 14,000 parts in a vehicle. There are over 16,000 engineers in Delphi. For NHTSA to review their daily work would require 2 or 3 times the size of the entire current Administration for Delphi alone. Delphi commented that there is already a reporting requirement in place for changes made for safety defect reasons and there is an independent audit or activity under QS9000 to assure that they are following written procedures.

Ford Motor Co. commented that lawsuits filed are voluminous and the burden associated with reviewing and producing them is substantial. Ford reported that in the absence of clear, unambiguous, and objectively stated requirements, manufacturers will be forced to interpret those requirements, and any requests based upon them, broadly to minimize the risk of penalties for failing to provide required information. Ford stated that this is particularly important in light of the civil and criminal penalties applicable to the reporting requirements. Vague requirements will not benefit any parties involved, and manufacturers will have to submit large volumes of information. Submitting voluminous information will make it more burdensome and difficult to

discern trends. The more complex the system, the more difficult and time consuming it will be to implement. Ford commented that manufacturers will be forced to devote more resources to collecting data with limited value and less to reviewing relevant data from trends. Ford commented that rejecting a spreadsheet reporting format and requiring copies (either electronic or paper) of information will change the concept from an enhanced screening system to help the agency decide when to open an investigation to an investigation process. In addition, if information gathering is extended beyond the recommended reporting regions, manufacturers will be required to produce a significant amount of information kept in paper rather than electronic format, and in languages other than English. Finally, requiring information at a component, rather than a vehicle level, or for systems other than those proposed, will necessitate submission of increasing volumes of increasingly less useful information. Ford stated that its development of a comprehensive focused early warning analysis system for tires (TEWA) was a considerable undertaking, the cost of which has not been compiled. Ford's development of a website for collecting and reporting foreign safety recalls and other field actions is estimated to cost approximately $200,000 and to have ongoing annual costs in excess of $75,000.

Webb Wheel Products, Inc., manufacturer of wheels, hubs, brake drums, and rotors, stated that standard warranty codes would require them to use two levels of coding to track their product: one for standardized reporting and the other more product specific for internal use. Webb Wheel Products stated that this would be burdensome.

Hella North America, Inc., a manufacturer of automotive lighting components, stated that the variety of legal systems in the world and the differences in classification, evaluation, collection

and availability of data worldwide all create uncertainty. Hella commented that NHTSA must specifically define the truly relevant categories of information reasonably obtainable on a global basis that respond to the key early warning objective of the Act. The administrative burden could otherwise be monumental and ultimately ineffective for all involved, according to Hella.

Advocates for Highway and Auto Safety (Advocates) proposes that all vehicle systems, parts, and components should be subject to submission of warranty data that is relevant to safety related problems and defects. Advocates does not view the additional cost of preparing the data for submission or converting information into a form the agency can use as unduly burdensome.

Osram Sylvania (OSRAM) and its related companies produce automotive lighting products. Establishing and maintaining the reporting structure outlined in the ANPRM will be burdensome, especially considering the numerous somewhat autonomous business units worldwide, according to OSRAM. The cost of complying with the new requirements will depend on three factors: 1) the number of business events that need to be reviewed for potential reporting; 2) the extent of change required by international business units in associated components worldwide; and 3) the number of items that need to be reported. OSRAM commented that if any product design change reporting is required the burden will be on the manufacturer to screen all product changes for those that require reporting. OSRAM stated that reporting of all internal investigations of product performance defects will require major changes in the way the company operates and communicates internally on these studies. This will be very difficult and costly to communicate, train and police throughout OSRAM's worldwide organization. In addition, reporting on a worldwide basis could result in a very large number of

reports, and these reporting requirements can only negatively impact OSRAM's quality and customer satisfaction efforts.

Shepherd Hardware Products LLC sells felt pads which are supplied to the automotive industry and have no impact on vehicle safety or operation. Shepherd commented that if appropriate limits are not established, the purpose of the TREAD Act could be adversely affected by overwhelming the reporting and documenting systems with information not relevant to automotive safety, which would interfere with identification of true safety-related problems.

Valeo, a worldwide manufacturer of automobile parts and systems, commented that the scope of additional regulations must be balanced against the already significant costs (both in time and money) of investigating and reporting to NHTSA inherent in the rules currently in place. Valeo stated that, in determining the scope of reporting requirements in early warning situations, the agency must be careful to avoid an overly burdensome and, therefore ineffective reporting requirement. The significant danger is creating a threshold for reporting at such a low level that the agency becomes inundated with reports that cannot be properly evaluated. Valeo opposes reporting running changes and service part changes to the agency. Valeo stated that this obligation would flood the agency with details of operations that do not contribute to the agency's ability to monitor safety issues. Extending requirements to equipment manufacturers will add an additional layer of reporting parties will burden the supply chain, inundate the agency with duplicative and excessive information and increase cost to consumers without enhancing the safety of the vehicle itself, according to Valeo. In addition, compliance with the proposed reporting requirements would require a significant ongoing expenditure of time and money.

Valeo stated that neither expense would bear a corresponding benefit in the advancement of safety or the production of quality parts. Moreover, like most suppliers, it could not absorb substantial additional compliance costs without passing them directly to automotive manufacturers, and in turn, to purchasers of vehicles.

Fontaine Modification Company, a modifier of OEM trucks to OEM, dealer, and customer specifications, stated that they have no basis for estimating the cost of compliance with so many issues yet to be decided.

IV. COST AND LEAD TIME

A. Manufacturer Cost Estimates

1) Methodology

a) Identify and describe the reporting tasks that manufacturers will have to perform to comply with the TREAD Act.

b) Estimate the number of submissions of information that manufacturers will provide to NHTSA.

c) Estimate the typical number of hours of labor needed to complete each reporting task. Based on typical wage rates, calculate the unit cost of each task.

d) For each manufacturer category, multiply the unit cost of each task by the number of submissions. Sum the results in that industry category to compute the total manufacturers' costs.

The tasks associated with TREAD Act reporting under the Proposed Rule include:

Reporting Information: Manufacturers must gather information and data, determine whether the information must be reported, and construct or modify electronic databases.

Copying and Submission: Manufacturers must copy and submit information to NHTSA electronically or in hard copy.

The skills required to comply with TREAD Act Early Warning Reporting Requirements may vary from manufacturer to manufacturer depending on the category of manufacturer of vehicles

and equipment (e.g., light vehicles, child restraints), the kind of information and data reported, and the form in which the information is reported. Those responsible for reporting may have engineering or legal backgrounds. Necessary skills may include information technology resources and translation from foreign languages to English.

I. Summary of the Proposed Rule.

The proposed rule – the first phase of early warning reporting rulemaking – would divide manufacturers of motor vehicles and motor vehicle equipment into two groups with different responsibilities for reporting information that could indicate the existence of potential safety related defects.

The first group would consist of larger manufacturers of motor vehicles, and all manufacturers of child restraint systems and tires. In general, vehicle manufacturers would report separately on five categories of vehicles (if they produced, imported, or sold 500 or more of a category annually in the United States): light vehicles, medium-heavy vehicles, buses, trailers, and motorcycles. These manufacturers would report certain specified information about each incident involving a death that occurred in the United States that is identified in a claim against the manufacturer or in a notice to the manufacturer alleging or proving that the death was caused by a possible defect in the manufacturer's product together with each death occurring in foreign countries that is identified in a claim against the manufacturer involving the manufacturer's product, or one that is identical or substantially similar to a product that the manufacturer has offered for sale in the United States. These manufacturers would also report the following:

- Injuries. Certain specified information about each incident that occurred in the United States in which a person was injured that is identified in a claim against the manufacturer or in a notice to the manufacturer alleging or proving that the injury was caused by a possible defect in the manufacturer's product.
- Property damage. Manufacturers other than child seat manufacturers would report the numbers of claims for $1,000 or more in property damage that occurred in the United States that are related to alleged problems with certain specified components and systems (there would be no minimum amount of property damage for claims received by tire manufacturers).
- Consumer complaints. Manufacturers (other than tire manufacturers) would report the numbers of consumer complaints they receive that are related to problems with certain specified components and systems that occurred in the United States.
- Warranty claims information. Manufacturers would report the number of warranty claims they receive that are related to problems with certain specified components and systems that occurred in the United States.
- Field reports. Manufacturers would report the total number of field reports they receive from the manufacturer's employees and dealers, and from fleets, that are related to problems with certain specified components and systems and potential defects that occurred in the United States. In addition, manufacturers would provide copies of reports received from their employees and fleets, but would not need to provide copies of reports received from dealers.

These manufacturers would report the numbers identified above for each model and model or production year.

A tire manufacturer or brand name owner would not have to report any information other than information relating to incidents involving deaths for tires of the same size and design for which the cumulative annual production and importation does not exceed 15,000 (readers should note this exclusion in reviewing the proposed reporting requirements of this document, as we may not repeat it in all instances in which it may apply).

The second group would consist of all other manufacturers of motor vehicles and motor vehicle equipment, i.e., vehicle manufacturers insofar as they produced, imported, or sold in the United States fewer than 500 light vehicles, medium-heavy vehicles, buses, motorcycles, or trailers annually, manufacturers of original motor vehicle equipment and manufacturers of replacement motor vehicle equipment other than child restraint systems and tires. These manufacturers would report the same information about incidents involving deaths as the first category, but would not be required to report any other information.

In addition, all vehicle and equipment manufacturers in both groups would be required to provide copies of all documents sent or made available to more than one dealer, distributor, or owner, in the United States with respect to consumer advisories, recalls, or activities involving the repair or replacement of vehicles or equipment.

Reports would be submitted electronically, in specified formats. The components and systems on which reporting would be required would vary, depending on the type of product involved.

There would be four reporting periods each calendar year of three months each. All reports would be due not later than 30 days after the end of a calendar quarter. For submission of documents, the documents would be due not later than 30 days after the end of the month in which they are received or generated by the manufacturer.

To help NHTSA identify trends that could indicate potential safety problems, manufacturers would be required, on a one-time basis, to report historical information by quarter for each of the reportable items covering the three-year period from January 1, 2000 through December 31, 2002, the date preceding the beginning of the first reporting period that would be established by the final rule, January 1, 2003.

The early warning reporting requirements would comprise subpart C of a new 49 CFR Part 579. The foreign defect reporting requirements proposed on October 11, 2001 (66 FR 51907) would comprise Subpart B of Part 579. This NPRM proposes a Subpart A containing general requirements that will apply to both subparts.

We also propose to expand recordkeeping requirements:

- For vehicles, records now required to be maintained under 49 CFR Part 576 for eight years would have to be maintained for 10 years.
- For the first time, manufacturers of tires and child restraint systems would be required to maintain the same types of records that manufacturers of vehicles have been required to keep under 49 CFR Part 576.

- Manufacturers of tires would be required to retain for five years records of purchasers of tires they manufacture. Manufacturers of motor vehicles would be required to retain for five years records of tires on each vehicle manufactured and the purchaser of each vehicle. Currently, 49 CFR Part 574 requires that these records be retained for three years.

The early warning final rule, the final rule pertaining to foreign defect campaigns, and current 49 CFR 573.8 would become 49 CFR Part 579. The provisions of current Part 579 would be moved to Part 573.

The Alliance of Automobile Manufacturers, whose members are BMW Group, DaimlerChrylser, Fiat, Ford Motor Company, General Motors, Isuzu, Mazda, Mitsubishi Motors, Nissan, Porsche, Toyota, Volkswagen and Volvo, submitted information about the estimated quantities of information in certain of the possible reporting categories identified in the ANPRM (in Calendar Year 2000 in the United States). See Table 1.

To estimate the number of claims/calls and documents received for each vehicle category, we multiplied the number of estimated claims/calls and documents received by the Alliance for light vehicles (column number two, Table 2) by a recall factor for each of the other vehicle manufacturer categories. The recall factor was determined by taking NHTSA data for the last five years of the number of recalls for each category of vehicle manufactured. For example, there were 4,292,129 recalls of medium and heavy trucks from 1996 to 2000 compared to 89,634,055 recalls of light vehicles. Thus, the recall factor for medium and heavy trucks is 0.04788.

TABLE 1

ALLIANCE OF AUTOMOBILE MANUFACTURERS ESTIMATED CLAIMS/CALLS AND DOCUMENTS RECEIVED CALENDAR YEAR 2000, UNITED STATES

Category of Information	Number
Claims/Lawsuits alleging an injury or fatality	9,200
Customer Contacts	12,700,000
Warranty Claims	99,900,000
--Warranty Claims/Brakes	4,800,000
--Warranty Claims/Steering Systems	3,200,000
Field Reports	Over 45,000
Dealer Reports	Over 2,000,000
Customer Satisfaction Campaigns	125
Property Damage Claims	8,200

Source: Alliance of Automobile Manufacturers, submission to docket NHTSA 2001- 8677, July 16, 2001.

TABLE 2

VEHICLE MANUFACTURER
ESTIMATED CLAIMS/CALLS AND DOCUMENTS RECEIVED
CALENDAR YEAR 2000, UNITED STATES

	Light Vehicles	Medium and Heavy Vehicles	Buses	Trailers	Motorcycles
Recall Factor		***0.04788***	***0.00924***	***0.00101***	***0.00697***
Category					
Claims/Lawsuits Injury/Fatality	9,200	440	85	9	64
Customer Contacts	12,700,000	608,076	117,348	12,827	88,519
Warranty Claims	99,900,000	4,783,212	923,076	100,899	696,303
Warranty Claims/Brakes	4,800,000	229,824	44,352	4,848	33,456
Warranty Claims/Steering	3,200,000	153,216	29,568	3,232	22,304
Field Reports	23,430[1]	1,122	216	24	163
Dealer Reports	>2,000,000	95,760	18,480	2,020	13,940
Customer Satisfaction Campaigns	125	6	1	0.1	0.9
Property Damage Claims	8,200	392	76	8	57

Source: Alliance of Automobile Manufacturers, submission to docket NHTSA 2001- 8677, July 16, 2001.

[1] Adjusted based on the ratio of average number of recalls per year of components covered by Early Warning Reporting to the average number of recalls per year of all components during the five-year period 1996 to 2000.

2) Unit Cost Estimates

This section explains how the cost estimates, or unit costs, were developed for each task that manufacturers might have to perform under the final rule. Total costs for a task can be calculated by multiplying the unit cost (calculated by multiplying the labor hours by the hourly wages) by the number of manufacturers performing the task, and adding additional costs, e.g., computer equipment and database support.

Each cost estimate is made up of two components: the unit time estimates (i.e., number of labor hours required of each type of personnel to complete a task), and the hourly wage rates for each type of personnel. Hourly wage rates are divided into three occupations: attorney, engineer, and secretarial. The unit time estimates for completing specific tasks related to the reporting requirements for manufacturers are presented in Table 3.

TABLE 3

UNIT TIME FOR TASKS
BY OCCUPATION
(IN MINUTES)

REPORTING REQUIREMENT	**TIME**
Domestic Claims/Lawsuits Injury, Fatality, Property Damage	
Lawyer	10
Engineer	10
Secretary	10
Field Reports	
Lawyer	10
Secretary	15
Customer Satisfaction Campaigns	
Secretary	15
Foreign Claims/Lawsuits Injury, Fatality, Substantially Similar	
Lawyer	10
Engineer	10
Secretary	10

The basic wage rates for this analysis are derived from 1999 wage information published by the U.S. Department of Labor, Bureau of Labor Statistics (BLS), from the Occupational Employment Statistics (OES) survey using the Office of Management and Budget (OMB) Standard Occupational Classification (SOC) system. The OES wage estimates are national industry-specific occupational employment and wage estimates calculated with data collected from employers of all sizes, in metropolitan and non-metropolitan areas in every State and the District of Columbia, in SIC Industry Group 371 – Motor Vehicles and Motor Vehicle Equipment. The 1999 annual salary for lawyers, mechanical engineers, and secretaries were adjusted to second-quarter 2000 dollars using the Employment Cost Index (ECI) for white-collar occupations in private industries. [1] The salary was then divided by 2,080 hours (i.e., the average annual number of hours for a full-time employee) to derive the hourly wage rates used in this analysis for each labor occupation. The estimated hourly wage rates are $62.64 for attorney, $28.37 for engineer, and $13.60 for secretary, all in 2000 dollars. See Table 4.

[1] U.S. Department of Labor, Bureau of Labor Statistics, Employment Cost Index, Table 6, April 2001.

TABLE 4

ANNUAL AND HOURLY WAGE RATES BY OCCUPATION

Occupation	1999 Average Salary	ECI June 1999	ECI June 2000	ECI Ratio 6/99:6/00	June 2000 Adjusted Salary	June 2000 Hourly Rate
Attorney	$124,760	144.3	150.7	1.0443	$130,291	$62.64
Engineer	$56,810	141.8	147.3	1.0388	$59,010	$28.37
Secretarial	$27,120	141.4	147.5	1.0431	$28,288	$13.60

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Employment Statistics*, 1999.
U.S. Department of Labor, Bureau of Labor Statistics, *Employment Cost Index*, April 26, 2001.

The total burden for manufacturers to comply with the TREAD Act is estimated by multiplying the number of claims/calls received (or report or other document generated) in Calendar Year 2000 in the United States in the following reporting categories: (claims and notices involving death; claims and notices involving injuries; identical or substantially similar motor vehicles or equipment; claims involving property damage; consumer complaints; warranty claims; field reports; customer satisfaction campaigns, consumer advisories, recalls, or other activities involving the repair or replacement of motor vehicles or motor vehicle equipment) by the wage of the individual performing the task (broken into time increments incurred to comply with the reporting requirement). The initial startup cost to set up a computer database is multiplied by the estimated number of manufacturers responding and is added to the cost for claims and reports to arrive at a final burden cost. The estimated number of manufacturers responding is presented in Table 5.

TABLE 5

ESTIMATED NUMBER OF MANUFACTURERS

VEHICLE/EQUIPMENT CATEGORY	NUMBER OF MANUFACTURERS *
Light Vehicles	16
Medium and Heavy Vehicles	12
Trailers	8
Motorcycles	5
Buses	19
Tires	10
Child Restraints	10

* manufacturing 500 or more vehicles annually

We estimate that the cost to light vehicle manufacturers (passenger cars and light trucks, including vans, SUV's and pickups) that produce 500 or more light vehicles annually is as follows, based on the number of claims estimated by Alliance in their submission. See Table 6 for summary industry costs. We estimate that the one-time startup cost for a database is $100,000 for each of the 16 manufacturers, resulting in a total cost of $1.6 million for computer databases. We estimate the annual recurring cost for operating and maintaining the database is 28 percent of the initial startup cost, or $28,000 per manufacturer, based on similar cost ratios in other agency analyses. The total recurring annual database cost for the 16 light vehicle manufacturers is $448,000. We estimate 18,000 claims/notices for injury/fatalities and property damage from 16 light vehicle manufacturers (9,200 claims/lawsuits for injury or fatalities, 8,200 claims for property damage, 600 injury/fatality/property damage claims from non-Alliance manufacturers). The time incurred by the attorney for reading each claim is about 10 minutes, and the time incurred by the secretary to input the data for each claim is 10 minutes per manufacturer. The mean annual 2000 wage for an attorney is $130,291, and for a secretary is $28,288. The hourly wage from Table 4, of $62.64 for attorneys, and $13.60 for secretaries, is multiplied by 10/60 to obtain the wage rate for 10 minutes. The total first-year annual cost for processing injury, fatality, and property claims for light vehicle manufacturers is (18,000 claims x $10.44) + (18,000 claims x $2.27) = $228,720 + $1.6 million database cost = $1,828,720.

We estimate that manufacturers will spend approximately two weeks to review information required to provide us with baseline data. This includes information starting with January 1, 2000 and 10 model years back, which amounts to an estimated cost of $36,320 for the 16 manufacturers.

TABLE 6
SUMMARY TABLE OF INDUSTRY COSTS

	LIGHT VEHICLES	MEDIUM AND HEAVY VEHICLES	BUSES	TRAILERS	MOTORCYCLES	CHILD RESTRAINTS	TIRES
One-Time Costs							
First-year Computer Startup	1,600,000	2,400,000	3,800,000	1,600,000	1,000,000	2,000,000	1,000,000
One-time Baseline Costs	36,320	27,240	43,140	18,160	11,350	11,350	11,350
Total One-Time Costs	1,636,320	2,427,240	3,843,140	1,618,160	1,011,350	2,011,350	1,011,350
Annual Costs							
Computers	448,000	672,000	1,064,000	1,344,000	280,000	560,000	280,000
Claims/Lawsuits/ Injuries/Fatalities	228,720	10,969	2,110	229	1,589	12,736	9,583
Customer Contacts	0	0	0	0	0	0	0
Warranty Claims	0	0	0	0	0	0	0
Field Reports	284,235	13,612	2,617	293	1,979	0	11,913
Customer Satisfaction Campaigns	1,130	0	0	0	0	0	0
Foreign Reports	102,700	4,108	0	0	2,054	0	3,081
Total Annual Costs	1,064,785	700,689	1,068,727	1,344,522	285,622	572,736	304,577

We estimate a total of 23,430 field reports for the 16 light vehicle manufacturers, adjusted from the Alliance's submission of 45,000 field reports as follows. First, we increased the number of field reports by 5,000 (to 50,000) to take into account submissions by vehicle manufacturers not included in the Alliance. Second, our analysis of recall data for vehicle equipment indicates that in 1996, 40 percent of equipment recalls were based on components that will be covered in the EWR (including child restraints and tires). In 1997, this figure increased to 51 percent, declined to 38 percent in 1998, rose to 49 percent in 1999, and stood at 55 percent in 2000. For the five-year period, an average of 46.86 percent of components recalled will be covered by the EWR. We applied 46.86 to the adjusted Alliance submission of 50,000 to arrive at 23,430 field reports. Of these, we expect that 5 percent of field reports (manufacturers' field representative and fleet reports) to be transmitted in hard copy, and approximately 95 percent of such reports from dealer sources to be reported electronically. (Alternatively, we may possibly request all field reports to be submitted electronically, which will reduce the cost burden on manufacturers.) Thus, we estimate 1,171 hard copies of field reports, and 22,259 electronic counts per year. The cost to copy 1,171 reports is about 5 minutes of secretarial time per response, or 1,171 x $1.13 = $1,323. The cost for processing the field reports for light vehicle manufacturers is (22,259 reports x $10.44) + (22,259 reports x $2.27) = $282,912. The total annual cost for light manufacturers' field reports is an estimated $284,235.

We believe that the cost for providing electronic information on warranty claims, consumer complaints, and dealer reports is subsumed in the cost to set up the computer database, and there is no additional cost to light vehicle manufacturers. We also believe that there is no additional cost to provide us with information on campaign advisories, given the number of manufacturers

reporting to NHTSA of notifications and communications under 49 CFR 573.5 and 573.8. We estimate about 1,000 documents on customer satisfaction campaigns would have to be copied and entered into the database, at an annual cost of $1,130.

Light vehicle manufacturers are required to submit a report of a claim or notice involving death occurring in a foreign country that is identified in a claim against a manufacturer involving the manufacturer's motor vehicle or motor vehicle equipment, if it is identical or substantially similar to a motor vehicle or item of equipment that is offered for sale or sold in the United States. We believe that there will be certain additional costs to gather data and make a determination of whether a motor vehicle or equipment is substantially similar. We estimate a total of 2,500 claims or notices of deaths in foreign countries, or roughly one-third the number of deaths reported in the United States. We estimate that it will take 10 minutes for the attorney to read the claim, 10 minutes for the secretary to enter the data, and 8 hours, on average, for the engineer to analyze the vehicle or equipment to determine whether there are substantially similar vehicles or equipment in the United States. The costs are as follows: (2,500 x $10.44) + (2,500 x $2.27)+ (2,500 x $28.37). The total annual cost for reporting foreign claims or notices involving deaths is $102,700.

Medium and heavy vehicle manufacturers that manufacture 500 or more medium-heavy vehicles annually are required to submit the same types of information to NHTSA as light vehicle manufacturers, albeit regarding some different categories of systems. There are approximately 12 medium and heavy truck manufacturers that we would expect to report to NHTSA. We estimate that the one-time cost to set up a database and train personnel is $200,000 per

manufacturer, or total cost of $2.4 million. The estimated annual cost for operating and maintaining the database is $56,000 per manufacturer, or $672,000 total. We estimate 863 claims/lawsuits for injuries/fatalities and property damage from the 12 medium and heavy truck manufacturers. The total annual cost of this reporting requirement is $10,969 assuming the same time increments incurred by an attorney and secretary as for light vehicle manufacturers. The total first-year annual cost for the 12 manufacturers to submit claims/lawsuits for injuries/fatalities and property damage is $2,410,969. The cost for reviewing information and providing the agency with baseline data is an estimated $27,240.

We estimate a total of 1,122 field reports for the 12 medium and heavy truck manufacturers. Of these, we expect 5 percent to be transmitted in hard copy (56 reports) and 95 percent (1,066) to be transmitted electronically. The total annual cost for submitting field reports is estimated at $13,612.

There is no additional cost for providing electronic information on warranty claims, consumer complaints, and dealer reports, as they are included in the cost to set up the computer database. We believe that there is no additional cost to provide information on campaign advisories, as this cost is largely already incurred under 49 CFR 573.8. We don't believe that there will be any measurable costs incurred for customer satisfaction campaigns.

We estimate a total of 100 claims or notices of deaths in foreign countries by medium and heavy truck manufacturers. The estimated cost to process and report the information is $4,108.

We estimate that there are 8 trailer manufacturers, which produce 500 or more trailers per year that would submit information to NHTSA. The initial startup cost to set up a database and train personnel is approximately $200,000 per manufacturer, resulting in a one-time total cost of $1.6 million. The annual recurring database operating and maintenance cost is $56,000, or $448,000 for the 8 trailer manufacturers. We estimate an annual total of 18 claims/lawsuits for injury/fatalities and property damage from the 8 trailer manufacturers. Using the time increments and wages presented earlier, we estimate that the annual cost for processing injury, fatality, and property damage claims for trailer manufacturers is $229 and a total cost, including first-year computer costs, of $1,600,229. We estimate that trailer manufacturers will spend approximately two weeks to review information required to provide us with baseline data. The cost of this effort amounts to an estimated $18,180 for the 8 trailer manufacturers.

We estimate a total cost of $293 for field reports submitted by the larger trailer manufacturers. There is no additional cost for providing electronic information on warranty claims, consumer complaints, and dealer reports, as they are included in the cost to set up the computer database. We do not believe that there will be any measurable costs incurred for customer satisfaction campaigns. We do not expect to receive claims of deaths in foreign countries by trailer manufacturers.

Motorcycle manufacturers ("street" only) that manufacture 500 or more motorcycles per year are required to submit the same types of information to NHTSA as light vehicle manufacturers, albeit involving different vehicle systems. The initial cost to set up the database and train personnel is estimated at $200,000 per manufacturer, or $1 million total for the 5 manufacturers.

The annual recurring database and maintenance cost is $56,000 or $280,000 for the 5 manufacturers. We estimate 125 claims/lawsuits for injuries/fatalities and property damage, for a total cost of $1,589. The total first-year cost for the 5 motorcycle manufacturers reporting is approximately $1,001,589. We estimate that motorcycle manufacturers will spend approximately two weeks to review information required to provide us with baseline data. The cost of this effort amounts to an estimated $11,350 for the 5 manufacturers.

We estimate a total of 163 field reports for the 5 motorcycle manufacturers. Assuming that 95 percent will be submitted electronically and 5 percent in hard copy, the total cost for field reports is an estimated $1,979.

We estimate a total of 50 claims or notices of deaths in foreign countries by motorcycle manufacturers. The estimated cost to process and report the information is $2,054.

There is no additional cost to motorcycle manufacturers for providing electronic information on warranty claims, consumer complaints, and dealer reports, which are included in the cost to set up the computer database. We believe that there is no additional cost to provide information on campaign advisories, and no measurable cost incurred for customer satisfaction campaigns.

Bus manufacturers that manufacture 500 or more buses are required to submit the same types of information to NHTSA as other vehicle manufacturers, albeit pertaining to different systems. The initial startup cost to set up the database and train personnel is estimated at $200,000 per manufacturer, or $3.8 million total for 19 bus manufacturers. The estimated annual recurring

database maintenance and operating cost is $56,000 per manufacturer, or $1,064,000 for the industry. We estimate 166 claims/notices for injuries/fatalities and property damage, for a cost of $2,110. The total first-year cost for the 19 bus manufacturers' claims reporting is approximately $3,802,110. We estimate that bus manufacturers will spend approximately two weeks to review information required to provide us with baseline data. The cost of this effort amounts to an estimated $43,130 for the 19 manufacturers.

We estimate a total of 216 field reports for the 19 bus manufacturers. Assuming that 95 percent will be submitted electronically and 5 percent in hard copy, the total cost for field reports is an estimated $2,617.

There is no additional cost to bus manufacturers for providing electronic information on warranty claims, consumer complaints, and dealer reports, which are included in the cost to set up the computer database. We believe that there is no additional cost to provide information on campaign advisories, and no measurable cost incurred for customer satisfaction campaigns.

Manufacturers of child restraint systems (excluding small businesses) are required to report the number of warranty claims, customer claims, and field reports received for each of the following: buckle and restraint harness, seat shell, handle, base, other non-specified components, and unknown, in addition to the number of injuries and fatalities in the United States, and the number of deaths in foreign countries (all child restraint manufacturers report deaths and injuries). To estimate the number of submissions from child restraint manufacturers, we applied a recall factor of 0.1023 (the ratio of number of child restraint recalls from 1996 to 2000 to the number of

estimated recalls of light vehicles during this period) to the number of submissions from Alliance for each category of information. This is the same methodology we used to calculate the number of submissions from each of the different types of vehicle manufacturers.

We estimate that the one-time startup cost for a database is $200,000 for each of the 10 child safety seat manufacturers, or $2.0 million for those reporting. The annual recurring costs for maintaining the database is 28 percent of the startup cost, or $56,000 for each manufacturer. The total annual recurring database cost for the 10 respondents is $560,000. We estimate 1,002 claims/notices for injuries and fatalities from the 10 child seat manufacturers, totaling a cost of $12,736. The total first-year cost for this reporting requirement is estimated at $2,012,736. Child seat manufacturers would incur an estimated cost of $11,350 for a one-week review of information required to provide the agency with baseline data on deaths and injuries.

There is no additional cost for providing electronic information on warranty claims and consumer complaints, as we expect these costs to be included in the cost to set up a database. We do not expect child seat manufacturers to receive claims of deaths in foreign countries.

We estimate that 10 tire manufacturers will incur costs of $100,000 each for initial computer database setup and training. The total industry one-time cost is estimated at $1 million. The annual recurring cost for operating and maintaining the database is estimated at $280,000. Using the same methodology that was used to estimate costs for vehicle manufacturers (applying 0.0419 recall factor to the Alliance estimated claims/call and documents received in Table 2, and applying the time increments and wages presented earlier), the 10 tire manufacturers will submit

754 claims/notices for injury/fatality, and property damage claims, costing $9,583. The total first-year cost for the 10 tire manufacturers for this reporting requirement is $1,009,583. The tire industry would incur an estimated cost of $11,350 for a one-week review of information required to provide the agency with baseline data on deaths and injuries.

We estimate that 982 field reports will be submitted by the 10 tire manufacturers, for a cost of $11,913. There is no additional cost for providing electronic information on warranty claims and consumer complaints, as we expect these costs to be included in the cost to set up a database.

The Rubber Manufacturers Association provided the following number of the individual tires they would have to report on. These are based on SKU numbers, which give individual numbers based on the brand name, tread, ply, fabric, speed rating, and tire size.

They are:

16,924 P-metric and other passenger car tires

5,353 LT tires

2,185 heavy truck and bus tires

24,462 Total tires

There is no additional cost for providing electronic information on warranty claims, as they are included in the cost to set up the computer database. We estimate the cost to manufacturers to report deaths outside the United States at $3,081.

We have reduced the burden on manufacturers of vehicles and equipment after considering and deciding against a number of requirements and selecting alternatives in reporting. First, we considered requiring reporting of foreign injury and property damage information. We believe there would be burdens of translating data to categorize the claim into whether it were steering, brakes, etc., making a determination if there were similarities to parts used on vehicles in the United States, and differences in reporting laws between countries. We believe these cost might be excessive, up to 10 times, the cost of supplying similar information from the United States.

We considered requiring information for all systems and parts of the vehicles, instead of the specific components specified under the rule. We believe that the reduced number of components will reduce reporting costs.

We are proposing requiring information from vehicle, child restraint, and tire manufacturers, starting with January 1, 2000, for 10 prior model years, to obtain a baseline trend of information. We had considered requiring a longer timeline for baseline data, which would have cost approximately three times the burden of data collected for the first year after the effective date of the rule. Under the new proposal considered, these manufacturers would provide us with information, on a quarterly basis, on the specific vehicle systems covered under the rule. Vehicle manufacturers would provide information on property damage claims, warranty claims, customer complaints, and field reports.

We considered whether to require a hard copy of all fleet reports, manufacturer's reports and dealer reports. After receiving comments from the Alliance that there are about 2 million dealer

reports per year, we decided against requiring hard copy of dealer reports. This reduced the burden significantly. We also considered and decided against requiring hard copy of oroginal equipment manufacturer reports. There are over 15,000 suppliers to the industry. We don't believe that many equipment suppliers would submit reports, so we thought that forcing them to set up a reporting system would be a burden, without substantial benefits to NHTSA. Furthermore, without much volume, a reporting system tends to be neglected over time, and we do not believe the system would prove reliable.

The total one-time costs are estimated to be $13,558,910. The annual recurring costs are estimated to be $5,341,658.

B. NHTSA Cost Estimates

Implementing Section 3(b) of the TREAD Act is expected to result in increased costs of government operations. This will be due almost entirely to the need to process submissions from manufacturers. NHTSA may have to review manufacturers' reports for confidentiality (and privacy information) before posting the information on the Internet. We are not able at this time to estimate the cost to review this information. Alternatively, we may request manufacturers to redact confidential information before it is submitted to us, in particular, confidential information contained in field reports.

NHTSA estimates additional annual expenditures of $550,000 on (contract) personnel for database support and $110,000 for PC network support. In addition, NHTSA anticipates an initial expenditure of $40,000 for additional PC equipment.

NHTSA initiated development of the Artemis project (Advanced Retrieval (Tire, Equipment, Motor Vehicles) Information System) on April 2, 2001. Artemis, the result of business re-engineering and application development effort, will provide us with business process and technological enhancements to identify potential safety defects earlier. The system will include a document management system, public availability of documents/data procedures, data analysis tools, centralized storage, consistent data naming conventions and workflow. The total estimated development cost of Artemis is $5.3 million, with an additional $700,000 annual cost for computer technical support for an additional 18 full time employees. A fully functional system is expected in the fall of 2002.

V. BENEFITS

Implementation of the TREAD Act Early Warning Requirements is expected to result in a decrease in the number of injuries and fatalities caused by a possible defect in motor vehicles and equipment. A review of recall data of vehicles included in this rulemaking indicates a total of 89,634,055 light vehicles recalled during the period 1996 to 2001. Recalls for medium and heavy vehicles totaled 4,292,129, buses totaled 828,372, trailers totaled 90,668, and motorcycles totaled 625,144. Additionally, there were 15,024,251 tires recalled (in 23 recalls), and 9,171,609 child seats recalled (in 27 recalls).

As a result of the additional budget provided by Congress for this program, NHTSA will hire an additional 18 full time employees, of which 4 will be screening the data for trends to investigate and 10 will be investigators. The average investigator works on 8 investigations per year. Approximately 2-3 recalls are influenced per year by each investigator. Thus, we anticipate about 25 recalls will be influenced per year as a result of this additional budget. These are not benefits of the early warning program.

The benefit of receiving the early warning data is that investigations will be opened sooner. We will initiate recalls earlier, and expect fewer consumer injuries and fatalities from crashes and fires. For example, we estimate that if a recall would have been announced two years earlier (August 9, 1998 instead of August 9, 2000) on the ATX and Decatur Wilderness tires, 143 lives that were lost due to alleged tread separation, out of a total of 192 fatalities that occurred, may have been saved.

Every recall has a different time-line of events. We have tried to capture an average recall for analysis purposes. The time-line can be broken up into the screening phase and the formal investigation phase.

Starting from the time a manufacturer first gets a complaint from a customer, 24 months can go by before NHTSA first gets a complaint to the HOTLINE. During this time, particularly for new models, the complaints are handled as warranty claims. If a customer has his/her complaint fixed by the dealer, most people would not go the extra step of reporting it to NHTSA.

From the time NHTSA first gets a report about a potential defect, to the time it takes for NHTSA to decide to open a formal investigation, can take 3 to 12 months. This range depends upon the number of reports received, the rate of vehicles with a problem, and the seriousness of the safety problem. Thus, the screening phase can take 27 to 36 months from the start of customers having problems until NHTSA opens a formal investigation.

Based on data from 1996 to 2000, the formal investigation phase takes 9 months on average from the time NHTSA opens a formal investigation until there is an influenced recall. This includes a weighted average of recalls influenced during the preliminary evaluation phase and those influenced during the engineering analysis phase.

The total time for the screening phase and the formal investigation phase is an estimated 36 to 45 months. We assume that receiving the early warning data will reduce the screening phase by approximately 12 months. Thus, we believe that implementing the Early Warning Reporting

requirements will reduce the overall time to screen and conduct an investigation by 27 – 33 percent (12/45 and 12/36).

Additionally, we expect that there will be more defect determinations following opening of investigations (influenced recalls) by NHTSA. This is because the increased volume of early warning data is expected to prompt a more intensive scrutinizing of data by NHTSA, and therefore less likelihood that a defect will go undetected. We also expect more defect determinations by manufacturers following their review of their own data (uninfluenced recalls). We estimate that total recalls (voluntary recalls by the manufacturer and NHTSA influenced recalls) would increase by 20 percent. During the period 1996 through 2000, there were an average of 314 defect recalls per year (275 vehicles, 36 equipment, 3 tires). We estimate that a 20 percent increase would result in an additional 63 defect recalls annually, (51 manufacturer voluntary and 12 NHTSA influenced).

The agency cannot estimate the impact on fatalities and injuries as a result of an increase in future recalls. However, the intent of the Early Warning Program is to never have another situation evolve in which there are many fatalities occurring before the agency determines that they are being caused by a potential defect.

SMALL BUSINESS IMPACTS

A. Regulatory Flexibility Act

The Regulatory Flexibility Act of 1980 (5 U.S.C. §601 et seq.) requires agencies to evaluate the potential effects of their proposed and final rules on small businesses, small organizations and small governmental jurisdictions. Business entities are defined as small by standard industry classification for the purposes of receiving Small Business Administration (SBA) assistance. One of the criteria for determining size, as stated in 13 CFR 121.601, is the number of employees in the firm; another criteria is annual receipts. For establishments primarily engaged in manufacturing or assembling passenger automobiles, and special purpose motor vehicles which are for highway use, and transportation equipment, not elsewhere classified, the firm must have less than 500 employees to be classified as small businesses.

Information on the number of small businesses manufacturing relevant equipment or vehicles currently sold in the United States, by product category, is presented below.

Ward's Automotive Yearbook 2000 lists 16 manufacturers of passenger cars and light trucks, including vans, SUV's and pickups sold in the United States, net of any that are now merged with or majority-controlled by another. All are large businesses by the definition of having more than 1000 employees. NHTSA knows of four small manufacturers[1] of (complete) motor vehicles in the United States accounting for <.1 percent of U.S. production, and in addition, "several hundred" small enterprises that modified or completed unfinished vehicles, of which many were van converters.

Ward's Automotive Yearbook 2000 lists 12 manufacturers of medium and heavy trucks sold in the United States. All are large businesses with more than 1000 employees.

In the 2000 (Preliminary) Regulatory Flexibility Act analysis prepared for the FMVSS Nos. 141 and 142 rulemaking (Platform lift systems), NHTSA estimated that there were 10 small manufacturers of transit and paratransit buses with less than 1000 employees. In addition, there is one small manufacturer of school buses, and three small manufacturers of over-the-road buses.

Only two motorcycle manufacturers with less than 500 employees could be identified from current editions of Ward's and Standard and Poor's as small businesses.

We estimate that there are hundreds of small businesses that manufacture trailers (boat trailers, U-haul type trailers, horse trailers, landscape, tree, and yard care equipment trailers, motorcycle/all-terrain vehicle trailers, cars-in tow trailers, and work-performing equipment trailers, e.g., compressors, signs, lights/generators, leaf collecting/mulch, roof and road tar heating).

The International Tire and Rubber Association website indicates that there are approximately 1,126 retread tire plants in the United States, of which approximately 95 percent are owned/operated by small businesses (new tires – 1000 employees; retread – 500 employees).

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[1] Panoz, Shelby, Saveen, and Mojler

Available information on child car seats yields a total of 10 independent enterprises, of which 3 have less than 500 employees and qualify as small businesses.

The agency has decided to limit the impact on small businesses by proposing to exclude from most of the reporting requirements any vehicle manufacturer that produces fewer than 500 vehicles a year, by category of vehicle. This exclusion would apply to many manufacturers of incomplete vehicles and alterers. We would also exclude registered importers (the vehicles imported by registered importers generally comprise a mixed fleet fabricated by more than a single company). However, these smaller volume manufacturers would not be exempt from the requirements to report to us claims submitted against them for death, and to report notices of fatalities that are alleged or proven to have been caused by possible defects in their vehicles in the United States. We requested comments on whether 500 vehicles is an appropriate figure upon which to base this distinction, and whether small volume manufacturers should be required to provide other data and information in addition to that relating to deaths as part of our initial final rule.

B. Unfunded Mandates Reform Act

The Unfunded Mandates Reform Act of 1995 (Public Law 104-4) requires agencies to prepare a written assessment of the costs, benefits, and other effects of proposed or final rules that include a Federal mandate likely to result in the expenditures by State, local or tribal governments, in the aggregate, or by the private sector, of more than $100 million annually (adjusted annually for inflation with base year of 1995). Adjusting this amount by the implicit gross domestic product

price deflator for the year 2000 results in $109 million (106.99/98.11 = 1.09). The assessment may be included in conjunction with other assessments as it is here.

This proposal is not likely to result in expenditures by State, local or tribal governments of more than $109 million annually. It is not likely to result in the expenditure by motor vehicle and motor vehicle equipment manufacturers, child seat manufacturers, and tire manufacturers of more than $109 million annually.